

VZCZCXRO1020

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DE RUEHNJ #0194/01 1421202  
ZNR UUUUU ZZH  
O 221202Z MAY 09  
FM AMEMBASSY NDJAMENA  
TO RUEHC/SECSTATE WASHDC IMMEDIATE 6947  
INFO RUCNFUR/DARFUR COLLECTIVE PRIORITY  
RUEHEE/ARAB LEAGUE COLLECTIVE PRIORITY  
RUEHZO/AFRICAN UNION COLLECTIVE PRIORITY  
RHEHNSC/NSC WASHDC PRIORITY  
RHMFISS/HQ USAFRICOM STUTTGART GE PRIORITY

UNCLAS SECTION 01 OF 02 NDJAMENA 000194

SIPDIS  
SENSITIVE

STATE FOR AF/C, S/USSES - SE GRATION  
NSC FOR GAVIN  
LONDON FOR POL - LORD  
PARIS FOR POL - D'ELIA AND KANEDA  
ADDIS ABABA ALSO FOR AU

E.O. 12958: N/A

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SUBJECT: ESSO LEANS TOWARD ASSISTING GOC ON 2009 BUDGET  
PROBLEMS BY ADVANCING SOME TAX PAYMENTS, SEEKS LEGAL  
CONFIRMATION OF 2008 ACCORDS

REF: NDJAMENA 99

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SUMMARY  
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¶1. (SBU) ESSO-Chad Chief Stephane de Mahieu told Ambassador Nigro May 20 that the oil company was leaning toward agreeing to the GOC's request for flexibility with royalty and tax payments in 2009 by advancing some expected second half-2009 payments to the second quarter, to help the GOC stay on or near budget for this year. De Mahieu said that ESSO sought GOC finalization of amendments to the GOC-ESSO MOU agreed last year. With ESSO's assistance, plus the slight recovery in the price of oil, some spending restraint, and a substantial line of short-term credit at the regional bank, the GOC may just manage to avoid running out of money in the first half of 2009 and perhaps through the year, which would make the GOC's effort to successfully complete an informal program with the IMF more likely. END SUMMARY.

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ESSO LIKELY TO HELP GOC'S BUDGET WOES  
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¶2. (SBU) ESSO-Chad's General Manager Stephane de Mahieu updated Ambassador May 20 on ESSO's discussion with the GOC regarding the schedule of royalty and tax payments. Given the greatly weakened price of oil, the GOC was forecasting budget difficulties during 2009 and had asked ESSO for flexibility with payment schedules. Due to a change in the terms of royalty and tax payments, coupled with the fall in oil prices, ESSO had told us in March 2009 (reftel) that a) the GOC owed ESSO a refund for overpayment of royalties and b) ESSO did not expect to make a profit until the second half of 2009, which implied no royalty or tax payment to the GOC in the first half of the year.

¶3. (SBU) De Mahieu said May 20 that ESSO had not yet come to a final decision, but was considering spreading projected 2009 royalty payments over three quarters, beginning with second quarter 2009. De Mahieu said that this decision would be predicated on oil staying above USD 50 or 55 per barrel. Even with an accelerated payment schedule, de Mahieu estimated a second quarter payment would only be USD 20-40 million.

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BUT WANTS GOC ACTION ON AMENDMENTS  
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¶4. (SBU) The GM also said that the GOC would have to show some good faith as well with respect to amendments to the GOC-ESSO MOU. The changes to the terms of payment that were renegotiated in September 2008 required formal amendments to the MOU, he recalled. De Mahieu said that the amendments had been reviewed by the Council of Ministers and blessed by Presidential decree but were still awaiting final passage by the National Assembly. He estimated that the Ministry of Petroleum would only need some three weeks to prepare all the documents necessary for parliament, so action could be taken almost immediately after Parliament resumed session. (Note: The President of the National Assembly adjourned parliament the week of May 11 so deputies could participate in the census in their home districts. It is not clear whether the body will resume session as scheduled in early October or reconvene for an extraordinary session in the interim. End Note.)

¶5. (SBU) De Mahieu postulated, however, that the Ministry's reluctance to conclude the amendments could be related to Minister of Petroleum Mahamat Nasser Hassane's desire to reach an agreement with ESSO on a "topping plant," integrate it into the current agreement and present everything to the National Assembly at once. (Note: A topping plant would refine some of Chad's crude for use domestically. End Note.)

The GM speculated that there were political issues related to a final decision on the topping plant and said he did not foresee an agreement on it soon. He added that he had conveyed to Nasser ten days earlier his concern over lack of

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progress on the outstanding amendments, to which the Petroleum Minister had reacted with a promise to take action.

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COMMENT  
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¶6. (SBU) With ESSO's assistance, a slight recovery in the price of oil, and a line of credit at the regional bank, the GOC may just manage to avoid running out of money in the first half of 2009. The budget will still be tight and final discussions with the IMF to revise the 2009 budget are on a positive track but still ongoing. We are cautiously optimistic the GOC's budget woes will end well. END COMMENT.

¶7. (U) Minimize considered.  
NIGRO